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Foreign Dollar Balances and the International Role of the Dollar

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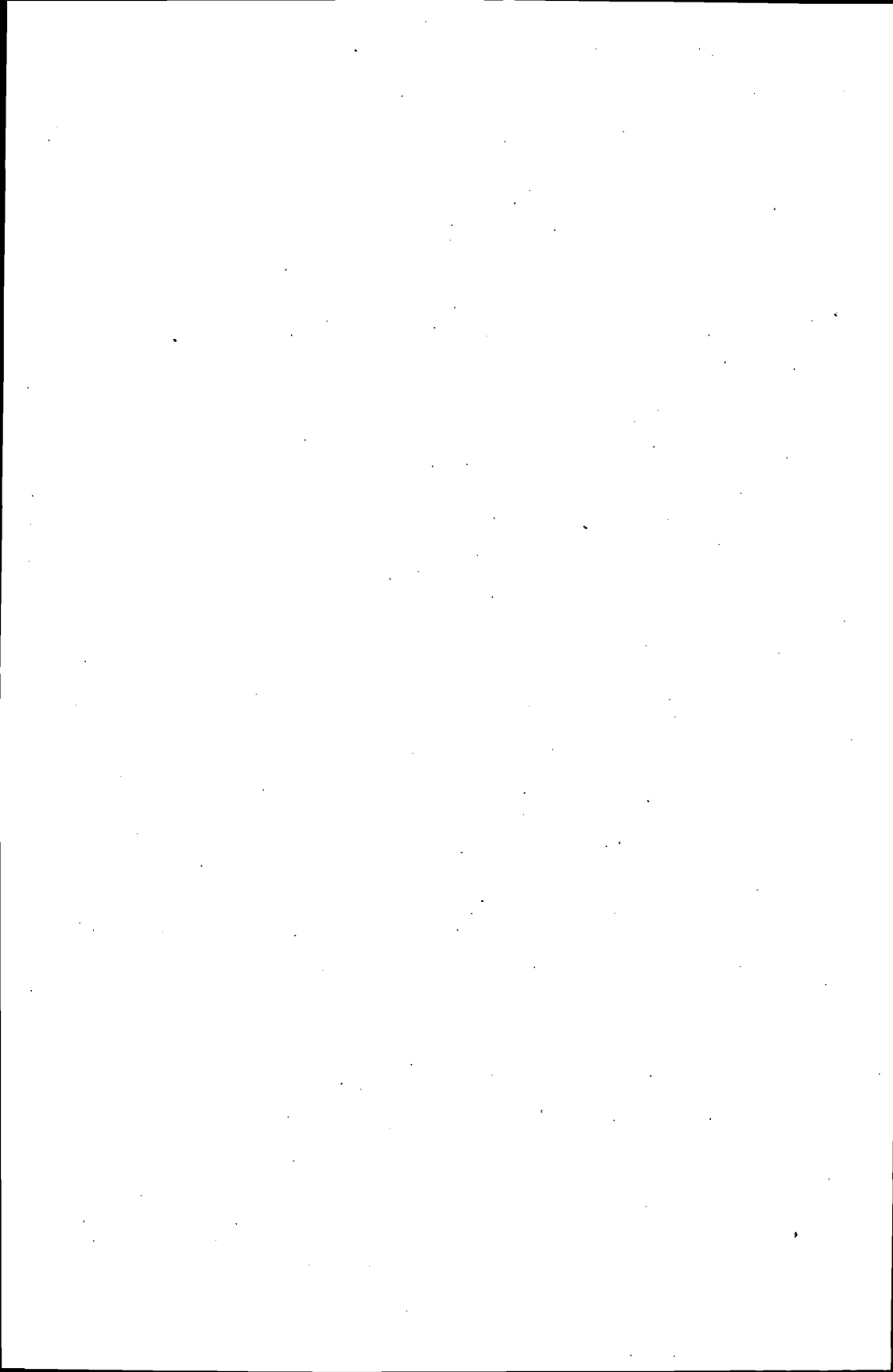
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*(Resolution adopted October 25, 1926, and revised February 8, 1933,
February 24, 1941, and April 20, 1968)*

Preface

This study was initiated by J. Herbert Furth several years before the international financial crises which led to the termination of the gold convertibility of the dollar and to the current effort of the members of the International Monetary Fund to reform the international monetary system. It has been difficult both to delimit and terminate this study (which has gone through many drafts) because the rapid developments in international finance have continually brought new problems to the foreground while reducing the significance of others. The study is concerned with many of the same problems dealt with by Hal B. Lary in his book *Problems of the United States as World Trader and Banker* (NBER, 1963), but our empirical analysis has focused on the origin, composition, and behavior of foreign holdings of liquid dollar assets, including both assets held in the United States and Eurodollars. In addition to the statistical analysis of the behavior of foreign dollar holdings, the present study sets forth an analytical framework for studying the interrelations among the several types of liquid dollar assets as determined by the behavior of the major categories of foreign portfolio holders. In our concluding chapter we have sought to relate our findings to the problem of creating a more satisfactory system of international monetary reserves and balance of payments adjustment.

This study forms part of the National Bureau's continuing program of research on international trade and payments problems. Previous studies in this series have included Hal B. Lary's books on *Problems of the United States as World Trader and Banker* (NBER, 1963) and on *Imports of Manufactures from Less Devel-*

oped Countries (CUP, 1968); *Price and Quantity Trends in the Foreign Trade of the United States*, Robert E. Lipsey (PUP, 1963); *Measuring Transactions Between World Areas*, Herbert B. Woolley (CUP, 1966); *The Responsiveness of Demand Policies to Balance of Payments: Postwar Patterns*, Michael Michaely (CUP, 1971); *Price Competitiveness in World Trade*, Irving B. Kravis and Robert E. Lipsey (CUP, 1971); and various volumes on the subject: *Foreign Trade Regimes and Economic Development*, Jagdish N. Bhagwati and Anne O. Krueger, editors.

The study has been financed in part by a grant from the Ford Foundation and in part by the National Bureau. Financing for secretarial and statistical services, computer time, and office materials as well as for a substantial portion of the time of one of the authors has been provided by the University of Oregon.

A number of individuals have given generously of their time in reading the manuscript at various stages and in providing information.

The following economists have made valuable suggestions for the improvement of the manuscript without necessarily agreeing with all of the analysis: Philip Cagan, Peter B. Kenen, Fred H. Klopstock, Miroslav Kriz, Walter Lederer, Robert L. Sammons, and Carl H. Stem. We are grateful for helpful comments and criticism received from the Board of Directors reading committee, consisting of Eugene A. Birnbaum, Robert V. Roosa, and Willard L. Thorp.

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